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 HD **Teck Resources pulling application for Frontier oil sands mine; The Teck mine had already passed a lengthy regulatory review and Ottawa was expected to decide this week whether to approve the project**
 BY Robert Fife and Marieke Walsh
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Ottawa and Toronto

Teck Resources Ltd. is pulling its application for the massive Frontier oil sands mine in Alberta, citing the need for Canada to finalize its climate-change policies and determine how resource development fits within them.

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After years of companies shelving investment in the oil and gas sector, high hopes were pinned on the massive heavy-oil mine for its potential direct economic impact as well as the broader signal it would send to the market.

But the mine also landed at the centre of a heated debate both in Canada and internationally about the balance this country is striking between resource development and addressing climate change.

The project had already passed a lengthy regulatory review and the federal cabinet was expected to decide whether to approve, reject or delay a decision on the mine on Tuesday.

The move sparked disappointment and condemnation from the Alberta government and the Conservative opposition in Ottawa. An oil sector analyst said the decision would send a negative signal to investors and had echoes of Kinder Morgan's decision to walk away from its construction of the Trans Mountain pipeline.

Even if it was approved by cabinet, the mine – which would emit 4.1 megatonnes annually but create thousands of jobs – faced several other hurdles before it would become economically viable, including oil prices and pipeline capacity. Teck hasn't proven whether Frontier, which it said in 2014 would cost \$20.6-billion to construct, would be commercially viable. However on Friday, the company maintained it was.

Clear climate-change policies don't "exist here today and, unfortunately, the growing debate around this issue has placed Frontier and our company squarely at the nexus of much broader issues that need to be resolved," reads a letter sent by CEO Don Lindsay to federal Environment Minister Jonathan Wilkinson on Sunday.

"Investors and customers are increasingly looking for jurisdictions to have a framework in place that reconciles resource development and climate change, in order to produce the cleanest possible products."

During the fall election campaign, the Liberals pledged to roll out more ambitious climate change policies if re-elected. The party said it would set Canada on a path to reach net-zero emissions by 2050, and also exceed its targets for 2030. However, at the time Mr. Trudeau gave few details of how those goals will be reached. Asked last week if cabinet could make a decision on the Frontier mine without having the broader framework in place, Mr. Wilkinson said he was confident it could.

In a joint statement issued late Sunday, Mr. Wilkinson and Natural Resources Minister Seamus O'Regan said the withdrawal means cabinet will no longer be making a decision on the mine.

"We agree with Teck and leading industry groups that all orders of government need a real plan for climate action now and to reach a net zero economy by 2050," the ministers said.

The company, which on Friday released disappointing fourth-quarter results, decided to shelve the project after a board meeting, according to sources with knowledge of the decision. The Globe and Mail is not identifying the sources as they were not permitted to speak publicly about the decision.

The company's decision is a "grave disappointment," Alberta Premier Jason Kenney said in a statement issued Sunday, adding that the factors leading to it "further weaken national unity."

Mr. Kenney had made Frontier's approval a key demand of the federal government last year. The request came amid rising Western alienation and after the Liberals were shut out of Alberta and Saskatchewan in the fall election. Frontier's impact on the oil patch was viewed both as a real economic boom but also a key signal to investors about the future of the sector after years of declining investment and the shelving of several projects.

A federal source said Teck's decision removed a hot button political issue before the minority Liberal government. While the Liberals believed the project was unlikely to be built any time soon – if ever – the Trudeau cabinet was concerned that Ottawa's rejection of the deal would be used by the outspoken Premier to stir up Albertans against the government, the source said.

In a statement, the Prime Minister's Office said Justin Trudeau had spoke to to Mr. Kenney about Teck's decision.

"Both the Prime Minister and the Premier agreed on the importance of Canada's natural resource sector to our economy. They discussed their commitment to developing our natural resources sustainably and creating jobs," read the statement.

Conservative Leader Andrew Scheer blamed the Trudeau government for the Teck pullout.

"Political unrest has killed 7,000 jobs. Justin Trudeau's inaction has emboldened radical activists and public-safety concerns are now shutting down nation-building energy projects," Mr. Scheer said in a statement.

Senior officials with Teck called Indigenous leaders in Wood Buffalo to advise of the decision on Sunday, according to one source. Teck told them it wasn't the right time to move forward on the project, according to the source.

The company's withdrawal of the Frontier mine application comes days after it warned it was considering an exit from the Canadian oil patch. In its Sunday statement, Teck said it would have to take a \$1.13-billion writedown on the mine.

Industry analyst Richard Masson said he was very surprised by the decision, especially given how much time and money Teck had already invested in the mine.

Reaction, he said is "going to be very negative, I don't think you can interpret any other way."

"It didn't pull [Frontier] because Canada's a great place to do business," said Mr. Masson, an executive fellow at the University of Calgary's public policy school.

He noted that Teck's decision comes on the heels of Kinder Morgan's decision to walk away from the Trans Mountain pipeline expansion. "Both are recent examples that should really give us all pause as Canadians about what we're doing for our investment climate," he said.

The company stressed its commitment to addressing climate change in their letter to the federal government.

"We support strong actions to enable the transition to a low carbon future. We are also strong supporters of Canada's action on carbon pricing and other climate policies such as legislated caps for oil sands emissions," Mr. Lindsay said.

"The promise of Canada's potential will not be realized until governments can reach agreement around how climate-policy considerations will be addressed in the context of future responsible energy-sector development. Without clarity on this critical question, the situation that has faced Frontier will be faced by future projects and it will be very difficult to attract future investment, either domestic or foreign."

With a report from Niall McGee

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